Fourth Quarter Results
Period ending 31st December
2014
Good afternoon ladies and gentlemen or good morning depending on where you are in the world today.

Thanks for joining us to discuss Gold Fields’ results for the quarter ended December 2014 and also the financial year ended the same date. On the call with me today I’ve got Paul Schmidt, our Chief Financial Officer. I also have Nico Muller, who is the Executive Vice President for the South Africa region. I have Avishkar Nagaser, who is our new Head of Investor Relations. Also Willie Jacobsz, who heads Investor Relations now for North America. And of course Taryn Harmse, who is our group legal counsel.

Before we go into the Q&A I like to give a few salient comments and numbers and then we will dedicate as much time for any questions you might have. Starting first of all with safety, we reported no fatalities in the December quarter and saw a strong overall safety performance from our international operations. In fact, over the year to date we reduced our total injury frequency rate by 18% compared to 2013. Regrettably during the past year we had three fatalities. These took place in the earlier part of the year and all of them were at South Deep.

Our strategy continues to deliver sound results. In Q4 our production was virtually unchanged at 556,000 ounces. For the year as a whole production was up by almost 10% to 2.22 million ounces in 2014 year. All-in costs fell by 4% during Q4 to $1,047 per ounce. And for the year as a whole all-in costs were 17% lower than the previous year at $1,087 per ounce.

Normalised earnings for the December quarter were $17 million compared with $23 million for the September 2014 quarter, resulting in normalised earnings for the year of $85 million. Despite a 7% lower average gold price during the December quarter and a 10% decrease in the gold price during the year, the group generated positive cash flow from operating activities of $54 million for the quarter, and for the entire year 2014 we generated $235 million. This is the core cash flow from the operations after all capital expenditure, after all taxes, royalties and other disbursements.

Our ability to operate successfully in the current low gold price environment is no accident. It is due to the significant transformation that Gold Fields has undergone over the past two years. The strategy has certainly yielded the results that we were looking for. And we hope that this will continue to yield positive results in the future even if gold prices may decline.

Our improved cash generation enabled us to address two of our key strategic imperatives. We continued to make significant progress in reducing debt, which declined from $1.498 billion to $1.453 billion at the end of December 2014. The further $45 million reduction in quarter four takes total net reductions in debt for the year to $282 million. And it has lowered our net debt to EBITDA ratio to 1.3 at the end of December. That is a key metric that is included in our loan covenants. Typically our loan covenants are at about 2.5 so it is good to see that we’ve got substantial headroom relative to those covenants.

In line with our policy we declared a final dividend of 20 SA cents per share. And that translates to 34% of normalised earnings. It brings the total dividend for 2014 to 40 SA cents per share. This makes us one of the few companies in our peer group to achieve strong cash returns and reward shareholders by paying dividends from these cash returns.

Turning to our regional performances. We start with South Deep. A number of issues arose during 2014 which highlighted the numerous challenges facing the mine. These included the ground support remediation programme and a skills deficit in mechanised mining practises as previously indicated.
Now, with the ground support programme we had to close around 70% of the production down at the mine for about four months. As you can imagine this has had a material knock-on effect on our ability to get to the big open stopes that we thought we would be able to achieve. I did indicate to you in November that this would have a knock-on effect in 2015. And clearly in these results with the guidance given for 2015 you can see that this is evident.

In view of these issues Gold Fields has decided to take a step back and get the basics right on the operation, and set the foundation to unlock the long-term value inherent in the asset. As opposed to trying to chase long-term targets our main focus right now is to get better at what we have on the table in front of us.

Gold production for the quarter increased by 16% at South Deep to 48,500 ounces mainly as a result of the resumption of full production after the four month ground support programme was completed during the September quarter. However, production for the full year was severely impacted by the ground support programme, with production by 34% relative to the previous year and ending at 200,000 ounces.

Management retains full confidence in the ore body and the world-class infrastructure in place to successfully exploit the ore body. Nothing has changed on that front in our view. Many of the challenges, however, faced by the mine are related to the shortage of mechanised mining skills in South Africa and our competition with other players for this limited pool of skills. The skills do exist, but the pool is not large.

We now have put in place a strong senior management team with South African mechanised mining experience headed by Nico Muller as Executive Vice President for the region. Nico was previously in the platinum industry and has extensive experience in mechanised underground operations. In addition we have retained a small part of the Australian team who was brought in during 2014. And they will remain to assist with ongoing mentoring, training and coaching with the view of getting a skills transfer as quickly as we can.

The key focus areas in 2015 for South Deep are upgrading the skills of operators and associated maintenance crews in the trackless sections. And here we are talking about a nucleus of between 500 and 600 people. That really is the key area where we need to upgrade skills and where we believe that there is a skills scarcity.

We need to improve our fleet management so that we can improve both availability and utilisation of our equipment. A big focus will be on planned maintenance systems and making sure that we have skilled artisans, diesel mechanics etc.

We need to improve the underground working conditions so that we can actually leverage off the significant face that should be available as we continue to open up the ore body further.

Lastly, we need to optimise the installation of our support. In particular, we need to move to a robust one pass system which will then obviate the need for us to come back and do secondary support or do remediation like we had to do in 2014. We want to do it right the first time around and avoid having to go back to fix things.

The knock-on effect of these stoppages last year will have a material effect on 2015, but we nonetheless forecast a 15% rise in production to 230,000 ounces in 2015. I think it is fair to say that 2014, although a very challenging year, should be seen as a low point in the cycle of South Deep. And we believe that we can only do better from here.
We expect the impact of the new team to start showing up in 2016 when we forecast that, given the current price environment in South Africa and the Rand per kilogram price that we currently see on our screens, South Deep will move to a break even position some time during the course of the year.

Moving to Australia, where our portfolio of four mines had another strong quarter. They achieved a free cash flow margin of 20%. Production for the quarter was 260,000 ounces with all-in costs of $930 per ounce. Calendar 2014 was the first full year of the inclusion of the Yilgarn South assets in the region, and we achieved over of one million ounces of production at an all-in cost of $1,015 per ounce.

Cerro Corona continues to be a solid performer with gold equivalent production stable at 84,600 ounces for the quarter. All-in cost was lower than the September quarter at $682 per equivalent ounce of production.

Production and all-in cost from the West Africa region were similar to the September 2014 quarter at 181,000 ounces and the cost being $1,126 per ounce. Both our mines there – Tarkwa and Damang - are performing in line with our best expectations.

At Tarkwa gold production decreased by 4% to 133,000 ounces and all-in costs increased by 4% to $1,142 per ounce. The success of the turnaround at Damang is evidenced by the December quarter results with production increasing by 12% to 48,000 ounces while all-in cost was down 13% to $1,082 per ounce. We believe that there is a lot more to come out of Damang and we are focussing a lot of our efforts in 2015 in looking at opportunities in and around the original Damang pit and further around on the lease.

Looking ahead our group guidance for 2015 is for virtually unchanged production of 2.2 million ounces. All-in sustaining costs are expected to be $1,055 per ounce and all-in cost $1,075 per ounce. I would add that these cost estimates are lower than what we have achieved in 2014, which in turn was lower than the previous year.

Thank you for your time. I will now open the lines for questions for either myself or any of my colleagues who are here today.

David Horton – Bank of Montreal

Good afternoon Nick and team. Thank you very much for providing the update. I guess the biggest news there is South Deep and a much slower ramp-up than what we had anticipated before. I understand all the comments you said about the de-stress and staffing and all that kind of stuff. I guess I’m struggling to see where it goes beyond 2015. It is a phenomenal ore body, but I’m just wondering if you can give us an insight into what kind of path we can see beyond 2015.

Nick Holland - CEO

I will ask Nico Muller to address this issue, David.

Nico Muller – EVP South Africa

David, I think we have to adopt a more cautious approach in terms of forecasting or giving guidance further into the future. There is so much work we need to do to fix the base right now. The one thing I am encouraged about is that the mining mix is going to change. We are going to see an increasing contribution from long hole stoping, which provides a greater return per blast of between 4,000 tonnes and 10,000
tonnes per blast. But it also is typically associated with higher grade. We are going to focus this year on addressing all the current operational shortfalls. And we are also going to take the time to re-base our views on future production. I have got absolutely no doubt that it will increase from 2015 onwards, but I think it would probably be not in our best interests to try and judge at this point the exact numbers for the years after 2015.

David Horton – Bank of Montreal

Okay. With that increased emphasis then on the long hole stoping method do you have the right equipment at this stage, or do you need to bring more equipment on site? And how are you going for the training to undertake that technique?

Nico Muller – EVP South Africa

First of all, as far as the type of equipment we have, I believe the right type of equipment on site. With regards to the numbers, at this point the view is any investment in further expansion of the underground fleet will reverse us back into over-congestion and will also complicate our efforts to optimise the use and the maintenance of the current fleet. So we do not foresee a significant increase in the fleet size for this year. If there is an opportunity, where we do see that operational efficiencies can improve, we will have a discussion with Nick. If there is an opportunity for us to increase our output and we believe that we are making good progress as far as improving operational excellence is concerned, could infuse additional fleet units if it assists us in expanding our output.

As far as the training is concerned I think that we potentially had an over-reliance on external capacity and expertise as far as training is concerned. South Deep has got a 70 year life. It is a fully mechanised operation. I think that we do have the means. I have done it personally and other members of our team have successfully implemented very competent training facilities at the mines that we have managed. And I can’t see any reason why we can’t do the same at South Deep. I think what we will see in a number of years’ time is South Deep being a net supplier of skills in to the industry. It is a core requirement.

And we will probably spend the first number of months during 2015 to develop a very robust internal training strategy, which we will roll that out in the latter half of the year. The one thing I am encouraged by is that we do have the infrastructure, the bricks and mortar, that exists at South Deep. I think what we need is the correct curriculum as well as competent trainers. Those are the areas where I see we have a shortfall. I think both of those issues are not insurmountable.

David Horton – Bank of Montreal

And with a greater emphasis on long hole stoping can you see that there is sufficient capacity from a de-stress point of view and logistics point of view to be able to double or triple the kind of production rate that we have seen in 2014 over the next four or five years?

Nico Muller – EVP South Africa

We are going into the future again. I certainly don’t see a doubling of production over the next two years. I don’t think that is possible. We are currently producing around 100,000 tonnes per month. If I look at the operation and all the inherent weaknesses at the moment I know that we are at the bottom end of the curve. We can do a lot better. Can we do double the production? I think in due course, perhaps not over the next two years. I can fully appreciate the significant increase even to double the current output going
forward. Exactly when we will reach that position will be the focus of our energy this year in re-basing the growth plan for South Deep.

**David Horton – Bank of Montreal**

All right. Switching over to some assets that appear to be out-performing expectation. Granny Smith. I was fairly surprised to see the kind of level of production that you are forecasting for 2015. It is fairly clear that 2014 was an excellent outcome. I guess the inference that I am drawing is that you’ve got the confidence to maintain the throughput, and more importantly that the kind of grades that we saw in 2014 are going through to 2015. I’m just wondering how long that kind of good story can continue.

**Nick Holland – CEO**

David, I think Granny Smith has performed exceptionally well under our ownership for a number of reasons. We have first of all been able to improve the mix of the in situ grade, so in other words, the areas we are mining are just inherently higher grade. But more importantly, there has been a big focus on dilution. Given that this is a room and pillar operation there is quite a lot of ground that you can leave behind. So it is very important that we optimise our stope designs and we minimise external skin dilution as well as internal dilution. The team have done a hell of a job on that and we have reduced dilution by 15% from where it was under the Barrick ownership. That is probably worth at least 0.5 - 0.75 g/t. Those two areas have helped.

Just by doing some fairly easy process modifications in the plant we have also been able to improve throughput. We changed some cyclones to smaller cyclones because we stopped tolling. So smaller cyclones are more relevant now. We had them in the store. And we've improved recoveries by doing that and automating some of the process flows through the plant from 88% to 93%. That alone is probably worth 25,000 ounces a year. So that is the reason we have done better. Under Barrick ownership Granny used to do 250,000 ounces a year. So we are pretty confident that we can continue to do above that.

Zone 100 of our Wallaby area is where we are getting into in 2015. There is obviously going to be a lot of development that is necessary for us to ramp that up. There is reason for us to believe that it is going to continue to improve. The other nice thing that we are seeing is the lateral extensions as we get deeper tend to be bigger. So one of the programmes we are doing is some step-out drilling on both zone 90 and zone 100 of Wallaby to see how we can understand that better.

The exploration programme continues at depth. We are seeing the potential for zone 110, zone 120 up to zone 130. And we’re going to be spending a lot more time proving that up over the next year or two. So I think Granny Smith has got many good years ahead of it.

**David Horton – Bank of Montreal**

Whereabouts does the infrastructure go down to? What zone have you got the decline to?

**Nick Holland – CEO**

We are down to zone 100. That’s where we are now. And we’ve got drill platforms that are going into these other underground areas, underground drill cuddies that are cutting into these other areas. Clearly if we want to go down further we’re going to have to optimise the way that we mine and consider whether we need to look at different infrastructure to access the levels 130 and below. But I think we are some years away from that still. We’ve got a lot of good stuff ahead of us.
David Horton – Bank of Montreal

All right. Moving over to Tarkwa. It looks like the mill is outperforming name plate expectations. Should we expect that to continue or do you anticipate harder ore to negate that?

Nick Holland – CEO

The harder ore is not a problem because we’ve got secondary crushing facilities. But I think you should be thinking about 13.3 million as a steady state. From time to time they can do a little bit better, but 13.3 million tonnes is what you should be modelling for Tarkwa into the future.

Tanya Jakusconek – Scotiabank

Good afternoon everybody. I just wanted to come back to South Deep. I appreciate that there is a lot of work to be done at this operation. Maybe we could just go through some of the critical milestones that we need to do for this year to stabilise or put the appropriate stabilisation infrastructure in place. Secondly, what exactly are the training programmes in place for this trackless area, these 500 or 600 people that you’re focussing on? And as you are training and getting the mechanised mining skills what programmes do you have in place to prevent them being poached by other mining companies, because it is a limited pool? And then on your long hole stoping and thinking about the mining method, can you give us a sense what you’re envisioning in your cost structure for long hole stoping. Thank you.

Nick Holland – CEO

To come back to your first question. I think most of the infrastructure that we need is in place. That’s not the issue. The bottleneck at the moment has been skills and availability of equipment. So again it comes back to your second question, how robust and relevant is the training going to be? I think Nico should devote most of his time in answering that question for you.

Nico Muller – EVP South Africa

There are various levels of training. What we do have in place at the mine is the base training to ensure that our operators can operate machines safely. So at least you know where the emergency stop is. You know the correct procedures to operate the units. You must understand the fire extinguisher, how to park the vehicle and so forth. Having said that, at the moment the concern that I do have is that some of the training material is outdated and relevant to similar generic equipment, but not tailored to the equipment that we currently have underground. So there is some update required. Secondly, as I tell people once you’ve got your car license you are probably not going to be a Schumacher on the F1 circuit.

There is another level of training, which involves developing the competence to optimise the use of the equipment. None of that is in place at South Deep at present. So we require a refreshment of the existing curriculum tailored to our current fleet as well as an expansion of the curriculum to promote the improved performance of the use of the equipment.

As far as dimensions of the long hole stopes are concerned, the typical height of a long hole stopes range from 15m to a maximum of 45m. That is just in terms of the capability of our equipment. The average dimension in current practise is around 17m height and 17m width of long hole stopes.
Tanya Jakusconek – Scotiabank

Okay, but what does it cost you? $40 per ton, $50 per ton?

Nico Muller – EVP South Africa

Okay. Apologies. I am not in a position to actually answer that. We have got the all-in costs. It is not something that I had time to touch on specifically, the unit cost.

Nick Holland – CEO

I can try and help just by saying, if you look at what we are doing now about 25% of our mining is open stopes. And an open stope typically will give you between 8,000 and 10,000 tonnes per blast whereas a conventional bench or drift might give you 10% of that, say 800 tonnes. So it is all for the same cost. If you look at the current cost structure there is about 25% open stipping, about 15% to 20% that is de-stress and the rest is bench and drifts. Where we are going to is to get to around 70% open stipping, which will give you the commensurate change in the volume, with de-stress being 20% and bench and drifts probably 10% to 15%.

So you will get basically the extra volume at the same all-in cost. Most of the costs are already in the system. So you will find that the extra volume that comes from the change in mix will actually be quite profound in terms of its impact on the operation. And that has always been the business thesis for South Deep. It is getting bulk mining done at reasonably low cost because of the volume that comes through against the fixed costs. It is difficult to envisage what it is today because that extra volume all comes through with very limited extra variable cost, Tanya. We are not in a position to give you specifics now as to what it costs per open stope. It is not something we have reported.

Tanya Jakusconek – Scotiabank

Okay, maybe for myself to understand, in your cost guidance for 2015 for South Deep what sort of equipment availability and productivity have you forecast? And when will you feel comfortable that the training has produced the skills sets the achieve good productivity and equipment availability?

Nico Muller – EVP South Africa

Just in terms of the assumptions that we have used in the guidance, we have used the exact same productivity and efficiency parameters that we achieved in 2014. It may be a conservative approach but we have assumed no increase in productivity or efficiency. And that is because it is hard to improve these things given the current position that we are in. There are a number of things that we have to correct in order for us to achieve improvements in productivity. That is not only the skills of the operators and technicians maintaining the equipment. It is also related to underground water management, ventilation temperatures, work methodology, organisational discipline. I expect us to start improving productivity and efficiency during the course of this year. It has not necessarily been accounted for in the guidance. And I would be exposing us if I tried to make any assumption, just having joined the company. I think we will probably discover the answers to these questions during the year, Tanya.

Tanya Jakusconek – Scotiabank

Okay. Maybe remind us what your productivity is and your equipment availability is today.
Nico Muller – EVP South Africa

Equipment availability ranges between 55% and 65% for the drilling LSD classes. Productivity metres per rig per month - I’m not sure if I want to quote it because it is pretty dismal, but it is between 40m and 60m per drill rig per month, which on a global standard is pretty low. In Australia, Canada, performances probably range between 250m even up to 300m per month when things go well.

Andrew Byrne – Barclays

Good afternoon. Two questions if I may. The first one is just on the long hole stopes. What are you targeting as the access rate at the end of the year as a percentage of the mix? I know previously it has been stated as 50% but I think that is kind of thrown out the window. What is it that you’re looking for there? And then the second question is, I think the issues that we’ve had with productivity that we see at South Deep, we’ve seen similar situations with Acacia (African Barrick). We’ve seen them bring in contract miner. Is that still something you would consider if you don’t see improvements through this year? Basically if you don’t start seeing improvements in productivity as you move through the year would you consider bringing in a full set of contractors from offshore if necessary?

Nico Muller – EVP South Africa

Let me just talk about the access rate. I think this year we going to be at an access rate of 50% based on our current planning. And then as far as the introduction of offshore mechanised expertise is concerned, it is something that we attempted to do in 2014. The issue we have is a political one. We have met significant resistance politically from our unions, the government, instruments of government, to the extent that we’ve had some of the work permit renewals refused. Over and above that I am not sure that I believe that it is a long-term sustainable method for us. We have numerous examples in South Africa where we have very successfully introduced mechanisation. And I cannot see why it is not possible at South Deep with a very aggressive approach to developing those skills. And I am not talking about the operator and maintenance level skills. I’m talking about the management skills. I believe that we have appointed the top tier management that all come from mechanised operations. I believe that we have got the capacity to develop ourselves as the premier mechanised operation in Africa actually. I think that is very possible.

Nick Holland – CEO

Thanks to everyone for dialling in. Thanks for all of the questions. And we hope to see as many of you as we can face to face on our travels and various functions.
END OF TRANSCRIPT